

## **Poultry**

Poultry meat consumption is expected to continue to grow on a worldwide basis during 1999-2008. Higher consumption will be based on poultry's continued cost advantage relative to pork and beef. Increasing incomes and changing food demand patterns are expected to increase the demand for relatively low-cost protein products. Adding to the demand for poultry is the fact that pork is not a desired product in a number of areas where meat consumption is expected to rise. As the world's largest exporter of poultry parts, the United States is expected to benefit from any growth in global demand and trade.

Per capita poultry meat consumption is expected to continue to expand, but at rates less than occurred in the recent past. Much of the projected growth will be in areas such as China, Mexico, and Eastern Europe, where earlier consumption levels have been relatively low. Growth in many developed country markets is expected to be relatively modest, but consumption in the United States is expected to continue to climb at the expense of beef and pork. In the FSU and CEE, poultry consumption is expected increase slowly in the longer term, as economic conditions gradually improve and poultry remains the cheapest meat protein for consumers in those countries.

Global trade in poultry meat is projected to trend upward to about 7.8 million tons by 2008. This represents a slowing from the higher growth rates seen earlier. Much of the slowdown in trade growth for poultry is associated with the impacts of the economic crises in Russia and Asia. Presently, world poultry trade is a mixture of whole birds, parts, and processed products, with some exporters strong competitors in some segments of the market, but not in others. If consumption patterns in developing countries follow the western example, it is likely to mean rising trade in poultry parts, a development that would favor greater exports by the United States.

Overall, trade in poultry products is expected to become less restrictive over the baseline period due to the influence of multinational trade accords. While the overall trend is expected to be towards freer, less restrictive trade, many governments will continue to be under some pressure to protect their domestic industries. What this foretells is a continued need for negotiations to remove or reduce sanitary or phytosanitary barriers enacted without strong scientific evidence for their need.

### **Highlights for Major Importers**

**Former Soviet Union.** The collapse of the Russian economy in the summer of 1998 greatly changed the outlook for poultry exports to this region. Exports to the FSU had been expanding rapidly right up until July of 1998. Exports to FSU countries had accounted for over half of all U.S. poultry exports in 1997, on a quantity basis. While exports to the FSU expanded rapidly, domestic production declined even more dramatically, leaving per capita poultry consumption lower than before. While there are still plans to rebuild a portion of the FSU domestic poultry industry, the unfavorable investment climate is expected to make any significant increases in domestic production a long term project.

Changes in future FSU poultry imports will be determined by a number of factors. First, how much pressure will the Russian government feel to provide trade protection for the domestic poultry industry. Second, how quickly can the economy recover from the devaluation of the ruble and begin to reestablish growth in consumer incomes to a point where imported poultry is again a viable product for most consumers. The United States is likely to remain a major supplier of low-cost poultry products to the FSU, but exports are expected to remain well below earlier levels.

**Hong Kong and China.** Over the forecast period Hong Kong and China together are expected to expand to be the largest market for U.S. exports of poultry products. While the majority of the products are expected to be wings and feet, demand is expected to grow for imports of other low-priced dark meat products.

The expansion in poultry import demand from Hong Kong and China will depend on whether China is able to avoid the economic problems sweeping most of Asia. Another factor is how actively China's government will encourage growth in its domestic poultry industry. Economic growth is expected to translate into higher poultry demand, encouraging both greater imports and higher domestic production. While poultry consumption has increased in the last decade, it is still lower than that of a number of neighboring countries.

**Japan.** Poultry imports in the projection period are expected to hinge on changes in domestic production, which is expected to continue to slowly decline, and on a gradual recovery in the Japanese economy. The market for imported processed poultry products is expected to grow over time, but the rate of growth is expected to be lower than in previous decades due to the substitution of lower-priced products and the aging of the Japanese population. The Japanese market is expected to remain very competitive with Thailand, China, the United States, and Brazil as the major suppliers.

**Mexico.** Mexico's imports are expected to continue to expand, driven by both a strengthening economy and a growing, youthful population. Mexico is expected to remain a chief market for U.S. dark meat products. However, if questions of disease regionalization and product separation issues can be resolved, Mexico may also be the site of experiments with reverse exports -- dark meat staying in Mexico while breast meat is exported to the United States.

**European Union.** The EU is expected to remain a large exporter of poultry products during the forecast period, with the majority of product going to either East European or Middle Eastern countries. EU exports will continue to be very competitive in markets that have a demand for whole birds. EU producers will have to increase efficiencies as export subsidies for poultry products are gradually reduced over time.

**Middle East.** Poultry exports to the Middle East are expected to grow with relatively strong population and income growth. The EU, Brazil, and the United States are expected to remain strong competitors in the Middle Eastern market. Poultry is expected to benefit from its lower costs relative to

other meats, especially as pork products are not a factor in these markets.

**Canada.** Canada's imports are projected to continued to expand, although at a relatively slow rate, due to competition from lower priced U.S. products. Over time the regulations in Canada's trade agreements are expected to reduced the import restrictions on foreign poultry products. As the Canadian market opens up, U.S. producers are expected to increase their market share.

**South Korea.** South Korea is expected to gradually open its market to a range of imported poultry products. The United States industry will face strong competition in this market, especially from processed broiler products from China and Thailand, as well as turkey products from the EU.

### **Highlights for Major Exporters**

**European Union.** With the limits place on subsidized exports by the Uruguay Round, EU poultry exports should fall somewhat from their earlier levels. However, the EU will remain a strong competitor in a number of markets. This will be especially true in niche markets for specialized products or in traditional whole bird markets like the Middle East.

**Brazil.** Brazilian exports are forecast to expand throughout the next decade. With strong grain production and relatively low labor costs, Brazil is expected to be a strong exporter and major competitor to the United States in most major world markets. Brazil's impact as a producer will also be influenced by how well its domestic economy can recover from its current economic problems.

**China.** China is in a unique position because it is simultaneously a large poultry producer, an exporter of live birds and prepared poultry products, and also a major importer of poultry meat. During the baseline period China is expected to expand on all three of these fronts. Its ability to increase its exports will be determined by changes in domestic production, domestic income growth, and changes in the price of poultry products relative to other meats, especially pork. The rate of expansion in Chinese poultry output will be affected by world grain prices, and by the extent to which grain imports are needed to maintain or expand their domestic poultry production. Overall, China is expected to continue to import relatively inexpensive poultry parts, while exporting processed poultry products, thus utilizing its relatively low cost labor.

**Hong Kong.** Hong Kong is forecast to remain a major user and re-exporter of poultry products during the baseline. A key to the volume of re-exported poultry products going through Hong Kong will be if South China can avoid the worst impacts of the economic crisis that has affected much of Southeast Asia. Hong Kong is expected to handle a large percentage of all poultry products entering the southern region of China. The United States will be competing in this market primarily with shipments from Brazil, Thailand, and the EU.

**Thailand.** Although the recent currency devaluation has helped Thai poultry exports become more

competitive, the Asian financial crisis has reduced demand in many of Thailand's chief Asian markets. Thailand's poultry industry is expected to remain a competitive exporter of processed products. With its lower relative labor rates and decreased domestic demand, Thailand's processors are expected to concentrate on increasing exports.